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December 16, 2008

AGENDA ITEM 6c

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Approval to Release Health Maintenance Organization Request for Proposal
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Staff recommends the Committee approve the issuance of Network Model Health Maintenance Organization (HMO) Request for Proposal (RFP).

IV. BACKGROUND:

CalPERS Health Program covers nearly 1.2 million active and retired state and local government public employees and their family members. About 900,000 members are enrolled in the HMO plans. CalPERS purchases health benefits for the State of California and more than 1,100 local and government agency and school employers. The Health Program consists of Blue Shield of California (Blue Shield), Kaiser Permanente and three self-funded PPO plans – PERS Select, PERS Choice, and PERSCare. The current network model HMO plan, Blue Shield, contract expires December 31, 2010.

V. ANALYSIS:

With Board approval, the HMO RFP will be released in January 2009. The proposed Timeline for the RFP process is provided as Attachment 1. CalPERS staff has selected Mercer Consulting to assist with the development of the RFP.

Objective

- The RFP will be designed to solicit qualified bidders for the network model HMO health plan. CalPERS requires unique solutions for it to maintain its relevancy, enhance its leadership position, and drive its healthcare strategic objectives. This RFP creates the opportunity for CalPERS to drive new and innovative approaches in order to achieve higher levels of accountability, transparency and

innovation necessary for CalPERS to continue to deliver a high quality, cost effective health plan to members.

Proposed Evaluation Process

Attachment 2 describes the proposed evaluation process of the bidders to the RFP, and, the Boards participation in the selection process. The Board will award the contract after completion of successful negotiation and agreement of contractual and financial terms. Staff recommends this approach to achieve the most favorable financial and contractual terms possible.

VI. STRATEGIC PLAN:

This directly relates to Strategic Goal #10: Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.

VII. RESULTS/COSTS:

The HMO RFP will allow CalPERS to develop quality, cost effective HMO plans for our members and assess the viability of expanding the HMO coverage area.

Staff is available to respond to any questions.

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Attachments